



Electricity Distribution Ring-Fencing Guideline

2018 Annual Compliance Report



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1 Executive Summary

This document is AusNet Electricity Services Pty Ltd's (the **DNSP** or **AusNet Electricity Services**) Annual Compliance Report (**Report**) as per the reporting requirements outlined in the Australian Energy Regulator's (**AER**) Ring-fencing Guideline for Electricity Distribution (**Guideline**).

As per reporting requirements in the Guideline, this report has been assessed by an independent authority (Deloitte). A copy of their Assessment of Compliance accompanies this document.

This Report contains detail on the following four (4) reporting requirements as per the Reporting Obligation in the Guideline. The table below summarises the compliance outcome of these requirements. Any related findings or recommendation provided by Deloitte through their independent assessment are detailed in their accompanying independent report.

Report Requirement	AusNet Electricity Service's Assessment
Measures to Ensure Compliance	<p>We have a strong ring fencing compliance culture, which supports and underpins, the specific requirements in our Compliance Program and consistently ensures all relevant considerations are appropriate taken into account. Throughout 2018 we have observed business owners and other key staff and stakeholders actively considering Ringfencing implications in varied circumstances and scenarios. They regularly engage Legal, Regulatory and Compliance teams to ensure compliance.</p> <p>Specific requirements are embedded in the Compliance Program. Owners of obligations have developed and implemented controls (mainly preventative controls) to meet obligations of the Guideline. Practices are in place to review and improve the control environment of obligations relating to Ringfencing requirements.</p> <p>in 2019 will focus our efforts on leveraging from this strong culture and enhance the detective control landscape.</p>
Breaches of the Guideline	<p>No confirmed breaches of the Guideline were identified or reported during 2018.</p> <p>Breach management process exists to manage and treat potential or actual breaches.</p>
Other Services Provided	<p>AusNet Electricity Services does not deliver other services, other than other services approved as per, and in accordance with, its Waivers.</p>
Purpose of Transactions between DNSP and affiliated entities	<p>Data produced and verified by the finance team satisfies that AusNet Electricity Services has applied its Cost Allocation Methodology (CAM) in accordance with, including the scope of the requirements, the Guideline to prevent cross subsidies.</p>

2 Background Information

2.1 The Guideline's purpose

The Australian Energy Regulator's (AER) Ring-fencing Guideline (**Guideline**) for Electricity Distribution aims to:

- promote the National Electricity Objective by providing for the accounting and functional separation of the provision of direct control services by DNSPs from the provision of other services by them, or by their affiliated entities (i.e. prevent cross-subsidisation and discrimination); and
- promote competition in the provision of contestable electricity services.

The Guideline became effective in December 2016. A transition period applied for “existing services” and DNSPs were required to comply as soon as reasonably practical and no later than 1 January 2018. In 2018, AusNet Electricity Services submitted its first compliance report based on the transitional period and was found to be compliant with the requirements of the Guideline.

This document is AusNet Electricity Services Annual Compliance report for 2018. It is its first compliance report following the imbedding of compliance activities in the business from the ring fencing project team.

2.2 Purpose of this Report

This is AusNet Electricity Services Annual Ring Fencing Compliance Report for 2018 as per Clause 6.1 of the Guideline.

Clause 6.1 of the Guideline requires that AusNet Electricity Services must establish and maintain appropriate internal procedures to ensure it complies with its obligations under the Guideline. Additionally, AusNet Electricity Services may be required to demonstrate the adequacy of these procedures.

The report has been structured in line with the reporting obligation and identifies and describes for the regulatory year¹

- i. the measures the DNSP has taken to ensure compliance with its obligations under this Guideline; (see section 4.1)
- ii. any breaches of this Guideline by the DNSP, or which otherwise relate to the DNSP (see section 4.3);
- iii. all other services provided by the DNSP in accordance with clause 3.1 (see section 4.4); and
- iv. the purpose of all transactions between the DNSP and an affiliated entity (see section 4.5).

The assessment of compliance by a suitably qualified independent authority (Deloitte) is provided in section 5.

¹¹ AusNet Services Regulatory Year, 1 January to 31 December

3 About AusNet Services

3.1 Assets

AusNet Services Group, which comprises AusNet Services Ltd (ASX listed) and its subsidiaries, owns and operates, among other things, the Victorian electricity transmission network, one of five electricity distribution networks, and one of three gas distribution networks in Victoria.

AusNet Electricity Services (a subsidiary of AusNet Services Ltd) owns and operating an Electricity Distribution Network in Victoria, including the poles and wires that supply electricity to more than 720,000 customers in Melbourne’s north, east and across eastern Victoria. (Refer to **Figure 1**).

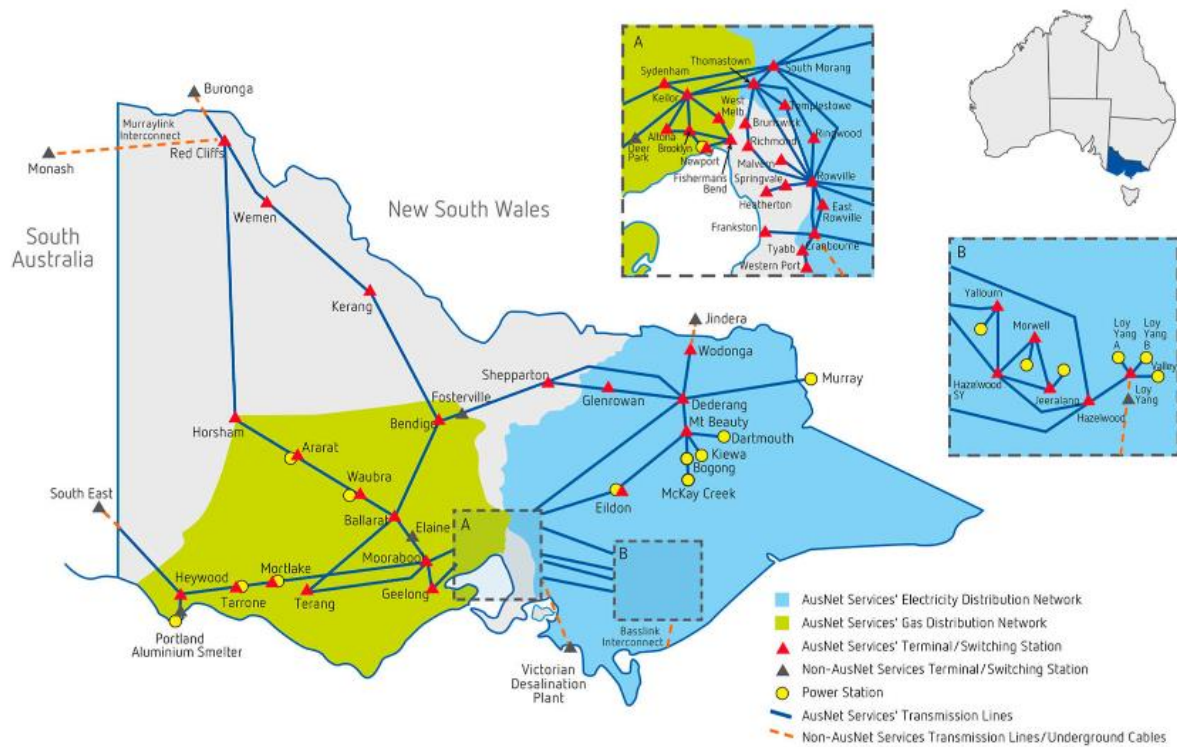


Figure 1 _ AusNet Services Group assets

The commercial business of AusNet Services Group, Mondo (Mondo Power Pty Ltd, ABN 73 097 962 395), provides a range of energy products and services to business, government, communities and households. These services include metering, asset intelligence and telecommunication solutions, as well as advanced energy management solutions enabling community energy hubs and solar mini grids.

3.2 Corporate Ownership and Structure

AusNet Services Ltd is 31.1 per cent owned by Singapore Power, 19.9 per cent owned by State Grid of China and 49 per cent publicly owned (it is listed on the Australian Securities Exchange (ASX)).

The AusNet Services Group business structure consists of our commercial and regulated businesses and the support functions to facilitate the core operations of the business. The Group is managed and overseen by our Executive Leadership Team and the AusNet Services Ltd Board of Directors.

4 Annual Compliance Report

4.1 Measure to ensure compliance

Sub-clause 6.2.1(b)i requires DNSPs to report on "the measures the DNSP has taken to ensure compliance with its obligations under this Guideline."

AusNet Electricity Services utilises a '3 lines of defence' approach to compliance management.²

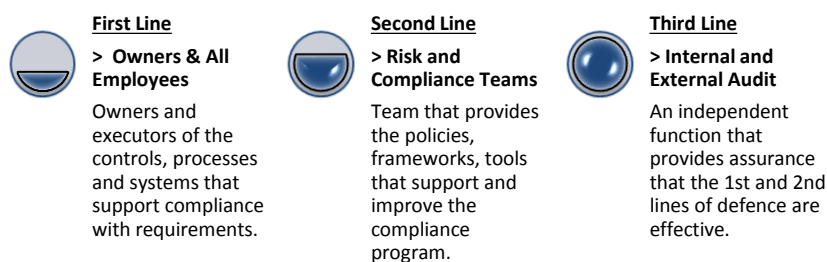


Figure 2: 3 lines of defence approach

In terms of compliance to the Guideline, the owners of the controls ("Responsible Persons" typically managers within the operational area that are responsible for obligation adherence) ensure adequate processes, systems and controls are in place that ensure compliance or detect when a non-compliance occurs or may occur (first line).

The monitoring and internal reporting of compliance adherence is generally performed by the Compliance Team (second line). Responsible Persons periodically report the status of compliance, and whether a breach has occurred, to the obligations via a Compliance Management System. Responses are reviewed by the Compliance Manager to ensure the responses demonstrate controls are in place and implemented in operations.

In terms of third line defence, the independent assessment of our compliance report provides additional assurance of the effectiveness of compliance adherence.

In the appendix is a range of supplementary evidence that demonstrates compliance measures performed in 2018.

Appendix 1: we have summarised the controls implemented as per Ring-fencing obligations. These have been assessed in terms of AusNet Electricity Services' application and adherence to the Guideline. We have also included a copy of our current policy.

Appendix 2: we have provided additional information about AusNet Electricity Services' Compliance Management framework and approach.

Appendix 3: a summary of Ring-fencing compliance attestation results (second line of defence).

Appendix 4: provides a summary on AusNet Electricity Services' status on items identified as opportunities in our previous report or requests from the AER.

² Source, AusNet Services Compliance Policy and Framework

4.2 Positive Ringfencing examples

Engagement with Legal, Regulatory and Compliance Teams

During 2018, staff regularly engaged with Legal, Regulatory and/or Compliance teams regarding certain questions and initiatives to ensure compliance with Ring-fencing requirements. These teams supported staff through relevant initiatives such as Branding, Staff Movements, site fit outs for new projects and organisational changes, to ensure Ring-fencing compliance.

The engagement of these specialised teams has provided encouragement and assurance that staff are aware of Ringfencing requirements, well versed in being able to identify potential issues or concerns, and take an active role in ensuring compliance with regulations.

Connections

In the 2018 Regulatory year, the AusNet Electricity Services team received 48 connection requests to the Distribution Network. One of these was from Mondo. This demonstrates there has been no bias towards our contestable service provider and that there is increasing competition in the provision of contestable electricity services.

Networks Renewed Trial

The project looked at how to manage the impacts of solar uptakes on AusNet Electricity Services' rural network assets. It involved testing the capability of modern smart inverters to help manage network voltages and allow more solar customers to connect while minimising network expenditure.

The project was part funded by ARENA and overseen by the University of Technology Sydney (UTS). In conjunction with the UTS, AusNet Electricity Services identified a feeder that was appropriate for the trial and then, given Mondo's existing mini grid in the Yakanda area (and strong relationship with Totally Renewable Yackandah), serviced by that feeder, partnered with Mondo for the beyond the meter aspect of the trial, while managing the network and feeder aspects of the trial.

AusNet Electricity Services considers that this trial, and the Hume Valley Trial (described below) are great examples of the way in which a DNSP, its related electricity service provider and other key stakeholders, can, where appropriate (including where it is the most efficient and prudent outcome and not discriminatory) partner, in accordance with the Guideline, to undertake innovative trials or projects that can have enduring benefits for the electricity industry and consumers.

Hume Valley Trial

Mondo has initiated a project that intends to demonstrate that communities can generate, store and share their own renewable electricity using existing energy infrastructure.

The project has been scoped based on input from Hume Victoria in partnership with Shire Councils, local businesses, community groups and government agencies.

The trial is designed to provide insights into the way Distributed Energy Resource (DER), including aggregators of such resources or associated outputs, could participate in a DER market and the associated impacts or opportunities on Electricity Distribution Networks Systems (in terms of testing, planning and operating).

As the project is located in distribution area of AusNet Electricity Services, Mondo invited the DNSP to also participate in the trial and, given a key focus of the trial is a DER market place, AEMO has also joined the trial as lead proponent and funding is being sought has applied funding from Regional Growths Fund and ARENA. Businesses in the Hume Valley have also been invited to participate in the trial and further participants, including other DNSPs or contestable electricity service providers may also be invited to participate as the trial progresses.

Annual Ring-fencing Compliance Report – 2018

Ensuring that Mondo, AusNet Electricity Services, AEMO and other participants, participate in the trial in accordance with the Guideline is paramount. For example, in order for Mondo to undertake preliminary studies in relation to the region, in determining its appropriateness for such a trial, Mondo is required to make, and has made, connection enquiries of AusNet Electricity Services on the same terms and conditions, including without limitation, with respect to confidentiality and cost reimbursement, as are required of any other connection applicant. Similarly, AusNet Electricity Services will not provide Mondo with any customer information relevant to the trial (unless, in accordance with the Guideline and other applicable regulations, Mondo obtains the express written consent of the applicable customer for this purpose).

This trial is pioneering a way that will further promote competition in contestable electricity services as it exploring the impact and benefits of DER and in essence pathing a way to create a market for these products and solutions for all contestable electricity service providers.

It will also help to inform the development of the Distributed Energy Resources (DER) Information Guidelines.

Trials with Contestable Electricity Services Providers

As part of the regulated energy service business endeavours in the network innovation area, and specifically within technology solution trials and pilot projects, numerous opportunities to work with various players in the contestable environment occurred during 2018. These included the following:

- [REDACTED] (Mooroolbark Community Minigrid project)
- [REDACTED] (Mooroolbark 2.0 project)
- [REDACTED] (Proof-of-Concept for Mooroolbark 2.0 project)
- [REDACTED] (Peak Partners project)
- [REDACTED] (Transformer monitoring pilot)
- [REDACTED] (MaGGS project)
- [REDACTED] (UTS Networks Renewed project)
- [REDACTED] (provision of ODINN upgrades)
- [REDACTED] (Latrobe Valley Microgrid Project – feasibility works)
- [REDACTED] (Good Grid project)
- [REDACTED] (Network Support Clyde North project - feasibility works)
- [REDACTED] (Network hosting capacity project)

4.3 Breaches

Under clause 6.2.1(b)ii, any breaches of the Guideline by the DNSP must be reported in the annual compliance report. This means that any material breaches already reported to the AER, and any breaches not already reported to the AER³ during the regulatory year.

During the 2018 regulatory year, AusNet Electricity Services had not identified any breaches of the Guideline.

AusNet Services did receive a query from the AER in December 2018 regarding an article that was located on AusNet Services website that mentioned “Mondo” (AusNet Services’ contestable business).

Given the article was about a branding change in relation to Commercial Energy Services and that the structure of the group had not changed as a result it was confirmed this was not a contravention of the Guideline.

³ Material breaches to be reported within 5 business days as per clause 6.3

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4.4 Other services

In accordance with 6.2.1(b)iii, AusNet Electricity Services is required to include in its Report “all **other services** provided by the **DNSP** in accordance with clause 3.1”

Clause 3.1 of the Guideline sets out the specific circumstances under which DNSPs can provide ‘other services’ without breaching the Guideline. Specifically, the provision of ‘other services’ is subject to the granting of ring-fencing obligation waivers by the AER (clause 3.1(d)vi).

During 2018 AusNet Electricity Services (the **DNSP**), continued to deliver ‘other services’ to customers as per its two granted waivers.

A summary of the waivers and expiry is produced below for this report. This information is available on Waiver register, which is published on AusNet Services website as per clause 5.7.

Waiver	Expiry
Provision of electricity services at Mt Baw Baw, (service arrangements have been in place since 1997).	15 May 2020
From its obligations under clauses 3.1, 4.2.1, 4.2.2 and 4.2.3, which enable AusNet Services to continue to provide the following activities (classified as Negotiated Services or Unclassified Services in the current applicable AER service classification): <ul style="list-style-type: none"> • Public Lighting and watchmen lights (includes installation of new public and watchman lights; alteration and relocation of distributor public lighting assets, repair and maintenance of watchman lights) • Reserve feeder construction • Emergency recoverable works 	31 December 2020

4.5 Transactions with affiliated entities

Sub-Clause 6.2.1(b)iv of the Guideline requires that distributors report on the purpose of all transactions between them and their affiliated entities.

The schedule of ‘purpose of transactions’ is provided in Appendix 5.

5 Independent assessment

AusNet Electricity Services engaged Deloitte to provide an independent assessment of compliance. The assessment is provided to the AER together with this report. AusNet Electricity Services' management comments in relation to these recommendations and findings are included in the final assessment report provided to the AER.

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Appendix 1: Obligation and Controls Table

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
Ring-fencing Policy (Note: Copy attached to our report Submission)	Preventative	This policy: <ul style="list-style-type: none"> explains how AusNet Services ensures that the AER's Electricity Distribution Ring-fencing Guideline is complied with and managed within the business; and applies to all employees, contractors and suppliers working for AusNet Services. <p>The policy represents a single reference guide for our compliance approach and training of staff on their obligations.</p>	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Training Module	Preventative	A Ringfencing Training module is available for employees.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Dedicated email address	Detective	Dedicated internal email address for members of the Regulation and Compliance team to address any ringfencing queries raised by staff and or regulators.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

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Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
Compliance Attestations	Detective	Obligation Owners periodically attest to the Compliance status of their obligations, including whether or not a breach has occurred during the reporting period.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Breach Management	Corrective	AusNet Services' Ringfencing policy and Compliance Policy and Frameworks accounts for responsibilities in managing any breach (Ringfencing requirements included).	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
RFG Compliance Report Schedule/Plan	Preventative	A document established that outlines the key dates and tasks to prepare AusNet Services annual compliance report.														✓
Independent Assessment of Compliance	Detective	AusNet Services engages an independent authority (as per requirements of cl 6) to validate its Annual Compliance Report. This activity also serves as a mechanism to detect any potential non-compliances.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Site Separation	Preventative	Access controls in place for contestable staff in that they cannot access areas involved in direct control services. AusNet Services has both Mondo and AusNet services						✓	✓							

Annual Ring-fencing Compliance Report – 2018

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
		staff located at an office in Beaconsfield. The staff are separated via secure access to their offices. The staff have a common kitchen and bathroom facilities on site. We note that the AER is cautious of these types of arrangements. To date, we have not had any reason to be concerned that this has hindered achievement of the objectives of the Guideline or otherwise created a risk of harm, taking into account the type and nature of the functions performed at that site. However, we will continue to monitor the arrangement to ensure this stays the case and take the AER's views on shared kitchens into account in relation to any new lease, licence or other site arrangements with providers of Contestable Electricity Service.														
System Access Change	Preventative	Users associated with the provision of Contestable Electricity Services were removed from systems that stored distribution network information.									✓	✓	✓			

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Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
Financial Procedures	Preventative	<p>The key preventative controls include:</p> <ul style="list-style-type: none"> • The creation of an accounting policy for Transactions with Affiliated Entities This policy outlines the requirement to record financial transactions in the correct legal entity and how financial information for different types of services are collated within the DNSP. It also details how financial items are correctly allocated as well as how intercompany transactions are to be separately recorded within each legal entity; • Removal of access within our project system module for relevant staff to prevent them from setting up prohibited projects under the DNSP legal entity; and • Removal of access within our indirect cost allocation system for relevant staff to prevent the ability to allocate unregulated or prohibited costs to the DNSP legal entity 		✓	✓											

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Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
Master Services Agreement	Preventative	AusNet Services Master Services Agreements (MSAs) with affiliated entities provides inputs to its regulated services. These include Statements of Work (SOW) to apply for services in place at the time ring-fencing commenced. Any additional services provided by an affiliate would be subject to separate negotiation. The MSAs provide a basis for ensuring compliant financial transactions, and non-discriminatory, arms' length terms and conditions, between the entities.					✓				✓	✓	✓			
Staff Sharing Register	Preventative	This is a public register of the nature of staff positions being shared.								✓						
AusNet Corporate Structure	Preventative	Illustrates the legal structure of AusNet Services Groups. This is monitored and maintained by the Corporate secretary as it relates to various corporate governance requirements.	✓													

Annual Ring-fencing Compliance Report – 2018

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
Information Sharing Protocol	Preventative	Published on Web. This is an established protocol to govern this process and publish a register setting out the kind of information sought by any entity, and to add entities to the register if they wish to receive similar information from the DNSP. Noting that, to date, no qualifying requests have been received.										✓	✓	✓		✓
Financial Reporting and Reviews	Detective	Financial reviews are undertaken throughout the year to ensure compliance with the accounting requirements of the guideline. In particular: <ul style="list-style-type: none"> • The results of the indirect cost allocation process are reviewed monthly by the finance team to ensure that costs have been appropriately allocated and that significant variances or movements compared to previous periods are understood • The profit and loss of the DNSP is reviewed regularly throughout the year to ensure that only appropriate costs and revenues are recognised and that no prohibited services are being provided. In addition, a more thorough review is performed as part of the preparation of the annual		✓	✓											

Annual Ring-fencing Compliance Report – 2018

Control	Control Type	Description	3.1 Legal Separation	3.2.1 Separate accounts	3.2.2 Cost allocation and attribution	4.2.3 Branding and cross-promotion	4.4.1 Conduct of service providers	4.2.1 Physical separation/co-location	4.2.2 Staff sharing	4.2.4 Office and staff registers	4.1 Obligation to not discriminate	4.3.2 Protection of confidential information	4.3.3 Disclosure of information	4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register	5. Waivers	6 Compliance and Enforcement
		regulatory accounts, which are subject to independent audit • Controls are in place to identify and notify the finance team of related party transactions that have occurred to ensure that they are adequately disclosed in our statutory financial statements and regulatory accounts.														
Waiver register	Preventative	This is the public register of the granted waivers													✓	
Recruitment and Selection Policy	Preventative	This policy outlines the process and checks required when on boarding staff (new to AusNet Services Group or internal transfers)							✓							
STI Scorecard	Preventative	The weighting scorecard requires incentives to be directly linked to specific business unit KPIs							✓							

Appendix 2: Supplementary Compliance Management Information

AusNet Services maintains a compliance policy and framework that is managed by the Governance Division and aligns with compliance standard AS/ISO 19600:2015.

The effectiveness of the compliance policy & framework is overseen by the Board's Audit & Risk Management Committee (**ARMC**). The effectiveness of the policy and framework is also subject to periodic audit by external regulators and auditors.

The Governance Division, which includes the compliance, audit and risk, company secretary and legal teams, also provides a range of compliance awareness training, advisory and assurance services.

Obligations are identified, recorded and assigned to 'responsible persons' in a centralised database.

Responsible Persons ensure that these obligations are appropriately embedded in business activities including policies, processes, procedures, systems and tasks.

AusNet Services adopts a risk based approach to compliance monitoring and assurance with Responsible Persons periodically attesting to the state of compliance. The attestations and supporting evidence provided by Responsible Persons is independently reviewed by the Governance Division from a quality perspective and where appropriate clarification of responses is sought.

Processes also exist for employees, including contractors, to report potential regulatory breaches at any time.

Where applicable the Governance Division ensures that breaches are reported to the relevant agency/ regulator within prescribed timeframes and monitors delivery of corrective actions.

The Governance Division also provides confidential compliance papers to the ARMC on a bi-annual basis.

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Appendix 3: Attestation Results

Clauses	Task Status	Start Date	Due Date	Requirement Captured?	Process Documented? ⁴	Organisational Unit
Ring-fencing 4.1 Obligation to not discriminate - 1	Completed	29/06/2018 0:00	29/07/2018 0:00	Yes	Yes	Elec. Distribution Business
Ring-fencing 4.2.1 Physical separation/co-location - 1	Completed	2/07/2018 10:30	29/07/2018 0:00	Yes	Yes	Capability & Development
Ring-fencing 4.2.2 Staff sharing - 1	Completed	29/06/2018 0:00	29/07/2018 0:00	Yes	No	Capability & Development
Ring-fencing 4.2.3 Branding and cross-promotion - 1	Completed	29/06/2018 0:00	29/07/2018 0:00	Yes	No	External Communications
Ring-fencing 4.2.4 Office and staff registers - 1	Completed	17/04/2018 14:42	29/07/2018 0:00	Yes	Yes	Capability & Development
Ring-fencing 4.3.2 Protection of confidential information - 1	Completed	29/06/2018 0:00	29/07/2018 0:00	Yes	Yes	Elec. Distribution Business
Ring-fencing 4.3.3 Disclosure of information - 1	Completed	29/06/2018 0:00	29/07/2018 0:00	Yes	Yes	Elec. Distribution Business
Ring-fencing 4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register - 1	Completed	29/06/2018 0:00	29/07/2018 0:00	Yes	Yes	Elec. Distribution Business
Ring-fencing 4.4.1 - 4.4.2 Conduct of service providers - 1	Completed	29/06/2018 0:00	29/07/2018 0:00	Yes	No	Procurement
Ring-fencing 5.1 - 5.7 Waivers - 1	Completed	20/07/2018 17:21	29/07/2018 0:00	No		Regulatory Frameworks

⁴ Where a process has not been documented, the Policy provides the procedural guidance

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Clauses	Task Status	Start Date	Due Date	Requirement Captured?	Process Documented? ⁴	Organisational Unit
Ring-fencing 6.1 Maintaining compliance, Ring-fencing 6.2 Compliance reporting, Ring-fencing 6.3 Compliance breaches, Ring-fencing 6.4 Complaints and investigations - 1	Completed	29/06/2018 0:00	29/07/2018 0:00	Yes	Yes	Resilience & Compliance
Ring-fencing 6.1 Maintaining compliance, Ring-fencing 6.2 Compliance reporting, Ring-fencing 6.3 Compliance breaches, Ring-fencing 6.4 Complaints and investigations - 1	Completed	29/06/2018 0:00	29/07/2018 0:00	Yes	No	Regulatory Frameworks
Ring-fencing 7.1 - 7.3 Transitional arrangements - 1	Completed	29/06/2018 0:00	29/07/2018 0:00	Yes	Yes	Elec. Distribution Business
Ring-fencing 3.2 Establish and maintain accounts - 1	Completed	29/06/2018 0:00	29/07/2018 0:00	Yes	Yes	RES Finance Partners - RES consolidated
Ring-fencing 4.1 Obligation to not discriminate - 1	Completed	29/10/2017 11:25	29/10/2018 0:00	Yes	Yes	Elec. Distribution Business
Ring-fencing 4.2.3 Branding and cross-promotion - 1	Completed	29/09/2018 0:00	29/10/2018 0:00	Yes	No	External Communications
Ring-fencing 4.3.2 Protection of confidential information - 1	Completed	29/09/2018 0:00	29/10/2018 0:00	Yes	Yes	Elec. Distribution Business
Ring-fencing 4.3.3 Disclosure of information - 1	Completed	29/09/2018 0:00	29/10/2018 0:00	Yes	Yes	Elec. Distribution Business
Ring-fencing 4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register - 1	Completed	29/09/2018 0:00	29/10/2018 0:00	Yes	Yes	Elec. Distribution Business
Ring-fencing 4.4.1 - 4.4.2 Conduct of service providers - 1	Completed	29/09/2018 0:00	29/10/2018 0:00	Yes	No	Procurement
Ring-fencing 5.1 - 5.7 Waivers - 1	Completed	29/09/2018 0:00	29/10/2018 0:00	Yes		Regulatory Frameworks

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Clauses	Task Status	Start Date	Due Date	Requirement Captured?	Process Documented? ⁴	Organisational Unit
Ring-fencing 6.1 Maintaining compliance, Ring-fencing 6.2 Compliance reporting, Ring-fencing 6.3 Compliance breaches, Ring-fencing 6.4 Complaints and investigations - 1	Completed	29/09/2018 0:00	29/10/2018 0:00	Yes	Yes	Resilience & Compliance
Ring-fencing 6.1 Maintaining compliance, Ring-fencing 6.2 Compliance reporting, Ring-fencing 6.3 Compliance breaches, Ring-fencing 6.4 Complaints and investigations - 1	Completed	29/09/2018 0:00	29/10/2018 0:00	Yes		Regulatory Frameworks
Ring-fencing 3.2 Establish and maintain accounts - 1	Completed	29/09/2018 0:00	29/10/2018 0:00	Yes	Yes	RES Finance Partners - RES consolidated
Ring-fencing 4.2.1 Physical separation/co-location - 1	Completed	29/09/2018 0:00	29/10/2018 0:00	Yes		People & Change
Ring-fencing 4.2.2 Staff sharing - 1	Completed	29/09/2018 0:00	29/10/2018 0:00	Yes		People & Change
Ring-fencing 4.2.4 Office and staff registers - 1	Completed	29/09/2018 0:00	29/10/2018 0:00	Yes		People & Change
Ring-fencing 4.1 Obligation to not discriminate - 1	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	Yes	Elec. Distribution Business
Ring-fencing 4.2.1 Physical separation/co-location - 1	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes		People & Change
Ring-fencing 4.2.2 Staff sharing - 1	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes		People & Change
Ring-fencing 4.2.3 Branding and cross-promotion - 1	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	No	External Communications
Ring-fencing 4.2.4 Office and staff registers - 1	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes		People & Change

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Clauses	Task Status	Start Date	Due Date	Requirement Captured?	Process Documented? ⁴	Organisational Unit
Ring-fencing 4.3.2 Protection of confidential information - 1	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	Yes	Elec. Distribution Business
Ring-fencing 4.3.3 Disclosure of information - 1	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	Yes	Elec. Distribution Business
Ring-fencing 4.3.4 Sharing of information, Ring-fencing 4.3.5 Information register - 1	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	Yes	Elec. Distribution Business
Ring-fencing 4.4.1 - 4.4.2 Conduct of service providers - 1	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	No	Procurement
Ring-fencing 5.1 - 5.7 Waivers - 1	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes		Regulatory Frameworks
Ring-fencing 6.1 Maintaining compliance, Ring-fencing 6.2 Compliance reporting, Ring-fencing 6.3 Compliance breaches, Ring-fencing 6.4 Complaints and investigations - 1	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	Yes	Regulatory Frameworks
Ring-fencing 3.2 Establish and maintain accounts - 1	Completed	30/12/2018 0:00	29/01/2019 0:00	Yes	Yes	RES Finance Partners - RES consolidated
Ring-fencing 6.1 Maintaining compliance, Ring-fencing 6.2 Compliance reporting, Ring-fencing 6.3 Compliance breaches, Ring-fencing 6.4 Complaints and investigations - 1	In Progress	1/01/2018 0:00	30/04/2019 0:00			Resilience & Compliance

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Appendix 4: Progress on actions noted in previous report

AusNet Electricity Services' inaugural Ring-fencing compliance report noted compliance with all requirements. There were, however, opportunities for improvement noted or identified in AusNet Services Compliance Report, EY's Compliance Review report or the letter received by the AER in June 2018 that would assist in strengthening controls.

The table below summarises these actions and progress. Please note, similar recommendations have been grouped and linked to the relevant clauses from the Guideline.

Ref	Clause Ref.	Source	Action	Status	AusNet Services Comments
1	All	AusNet Services Compliance Report	New Employee Induction: To ensure that new employees are aware of the Guideline, ensure Induction material includes information on Ring-fencing Guideline obligations.	Completed	While this action was completed in 2018, we are planning to further review the module and enhance how inductions are managed by utilising the new learning management system (Success Factors, which was implemented in Q3 2018). This will further strengthen the way training, including refresher sessions are managed and recorded.
2	3.2 & 6.2	AER Letter	Transactions with affiliated entities: For next year's report, we would like AusNet to report on dollar values associated with affiliated entity transactions.	Completed	Provided in this report (see appendix 5)
3	4.1	AusNet Services Compliance Report EY Recommendations AER Letter	Review of agreements between Related Energy Service Provider: Investigate instituting regular reviews of the Statements of Works established with affiliated entities to ensure that terms are continued to be compliant with the Guideline. We recommend that management formalise the evaluation and decision making process to demonstrate service arrangements with CES represents the best cost and efficiency outcome for AusNet Services (Distribution). We would expect that future procurement of services by AusNet Services should follow the AusNet Services Procurement Principles and Procurement Framework, which outlines specific procurement processes for contracts with dollar values above a certain threshold	In Progress Completion expected by 30 Jun 2019	<ol style="list-style-type: none"> 1. Statement of Works created between the DNSP and affiliated entities by Dec 2017. 2. the Statement of Works were reviewed, approved and instituted by June 2018. 3. By the first anniversary of the Statement of Works (June 2019) a full benchmarking exercise will be undertaken 4. Procurement to undertake the Statement of Works review. <ol style="list-style-type: none"> a. A template to be created by procurement that will clearly demonstrate best cost or value when comparing Mondo with non-affiliated preferred service providers 5. Waiver of Competition to be obtained (in accordance with authority manual) for

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Ref	Clause Ref.	Source	Action	Status	AusNet Services Comments
					<p>each Statement of Works or the service shall be put out for RFQ.</p> <p>a. Selection process for the best provider as per procurement process/policy to follow RFQ.</p> <p>6. In line with procurement process; review of Statement of Works to be undertaken on a 3 yearly basis to align with the average in service provision agreements.</p> <p>7. All future procurement of services will follow the same process. Current procurement policy provides for this.</p>
4	4.2.1	AusNet Services Compliance Report EY Recommendations	<p>Site Access Reporting: Establish regular reviews of staff access to AusNet Services sites to ensure that access requirements meet current staff accountabilities.</p> <p>We recommend management develop a process to maintain records of assessment performance to demonstrate evidence that the other locations are not affected and staff movements is regularly reviewed.</p>	In Progress Completion expected by 30 Jun 2019	<p>The attestation process serves as trigger to perform this step and can record results (completed).</p> <p>A revision of the policy (including ownership) is currently underway. AusNet Electricity Services will consider this action completed once the revised policy (and associated procedures to monitor policy adherence) has been finalised.</p>
5	4.2.2	AER Letter	<p>Staff remuneration. EY recommended that AusNet Services review its short term incentive (STI) bonus scheme to ensure that the bonus system that this scheme established does not give DNSP employees and incentive that favours group-wide performance, and which may be in conflict with the Guideline.</p>	Completed	<p>A majority of business unit employees STI opportunity is directly aligned to the respective business unit performance. The remainder is aligned to safety and corporate financials.</p>
6	4.2.2	AER Letter	<p>The staff sharing register could be improved by, for each staff role identified, clearly identifying:</p> <ol style="list-style-type: none"> (1) what direct control services the staff role provides; (2) what other distribution services or other electricity services that staff role provides, and; (3) which RESP that staff member is shared with. 	In Progress Completion expected by 30 Jun 2019	<p>AusNet Electricity Services notes that our published register contains roles that were identified as the positions of that kind listed in clause 4.2.4(b) of that Guideline that might be shared in 2018).</p>

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Ref	Clause Ref.	Source	Action	Status	AusNet Services Comments
			<p>In reporting for the 2018 regulatory year we will would like to see evidence of:</p> <ul style="list-style-type: none"> • An established process to ensure that new staff and changes in staff roles are noted and considered in terms of office sharing/co-location in the independent assessment for the 2018 regulatory year. • Adequate linkage between internal staff movements and updating of the public staff sharing register. • Progress in ensuring that staff are employed by the legal entity that their staff role is associated with. 		<p>However, through reviews we have not found any additional roles that should be on the register nor have we found that the roles listed on the register have been shared between our DNSP direct control services and Contestable Electricity Services businesses. We have found Contestable Electricity Services have been managed by Mondo (and their contractors). While there is legitimate sharing of staff, this is in the circumstances, and to the positions, described in clause 4.2.2(b)i.c.</p> <p>With this in mind, AusNet Electricity Services intends to review our approach with what roles are contained in the register and document the required procedures and supporting artefacts to support this (which may include the additional detail noted in the AER's letter).</p>
7	4.2.3	AER Letter	<p>Branding. In the past the AusNet Services brand and logo (which is shared between the parent company and the DNSP) has been used for contestable electricity services. AusNet Services has identified branding as a risk area.</p> <p>We request that AusNet Services provide an update on how this risk is being managed in its annual ring-fencing compliance report for the 2018 regulatory year.</p>	Completed	Launch of Mondo brand for AusNet Services' Contestable Business has enabled this risk to be rated as very unlikely.
8	4.3.3	EY Recommendations & AER Letter	<p>Document the interpretation of confidential network information and include in policy.</p> <p>We would like to have a better understanding of how confidential and electricity information is defined and identified in the ring-fencing compliance report for the 2018 regulatory year.</p>	<p>In Progress</p> <p>Completion expected by 30 Jun 2019</p>	It has been documented. We are updating the Policy and training in 2019 and will be including further information on this requirement (An additional appendix item has been drafted to be included in the version 2 of the Ringfencing Policy. This will be included in the revised training module along with tangible examples that demonstrate this obligation's application).

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Ref	Clause Ref.	Source	Action	Status	AusNet Services Comments
9	4.3.3	AER Letter	Handling of confidential information: We recommend that AusNet Services consider whether current arrangements could be improved to reduce risk associated with information sharing at officer level.	Completed	Managers at an officer level are required to adhere to all relevant laws and regulations, including the Ring Fencing policy and Code of Business Conduct. With respect to the consideration of whether arrangements could be improved, AusNet Electricity Services is satisfied that the current controls in place are effective. If in the course of monitoring compliance this position ever changes, we will update and implement additional controls if required.
10	4.3.4	AusNet Services Compliance Report	Employee movement: Include steps in the employee movement process to ensure any staff that move between the distribution business and affiliated entities or vice versa have the correct system, site and information access.	Completed	Current system and site access requests require management approval prior to staff receiving access to site or systems.
11	6	EY Recommendations	Consider the meaning of material breach and include in policy.	Completed	AusNet Electricity Services considers the AER's guidance on this point in its best practice guideline to be appropriate and, as a result, does not think it is necessary to replicate that guidance its internal policy.
12	6	EY Recommendations	Recommend AusNet Services documents how breaches will be reported.	Completed	The revised AusNet Services Compliance Policy and Framework has been submitted to the ARMC for approval. In terms of breach management, this is covered in procedures and calendars maintained by the compliance team
13	6	AER Letter	Demonstrating appropriate internal procedures to ensure compliance with DNSP obligations under the Guideline We would like to see an indication that every Guideline obligation (indicated by the words 'must' and 'shall' in the Guideline) is addressed.	Completed	Refer to Control Matrix in appendix 1 of this report and extract of attestation results (appendix 3).
14	6	AusNet Services Compliance Report	Compliance Reporting: Ensure that Ring-fencing compliance time frames for breach reporting (five business days) are reflected in the process and staff understanding.	Completed	It is mentioned in the training. In addition, compliance include this as part of their compliance reporting calendar.

Appendix 5: Purpose of Transactions

The below list summarises the purpose of transactions (type, description and nature of work) between AusNet Electricity Services and affiliated Contestable Electricity Service providers.

Costs associated with the transaction have also been provided as requested by the AER.

OPEX

Legal entity	Purpose of Transactions					
	Type	Description	Nature of work			
Mondo Power Pty Ltd	Direct Project	Preventative Maintenance	Condition Monitoring			
Mondo Power Pty Ltd	Direct Project	Preventative Maintenance	Chemical Testing			
Mondo Power Pty Ltd	Direct Project	Preventative Maintenance	Mgmt of Condition Monitoring and Chemical Testing			
Mondo Power Pty Ltd	Direct Project	Inspection	Inspection works			
Mondo Power Pty Ltd	Direct Project	Inspection	Non-invasive testing			
Mondo Power Pty Ltd	Direct Project	Metering	Metering Services			
Mondo Power Pty Ltd	Direct Project	Telco Services	Facilities Access Arrangements - Shared Assets			
Mondo Power Pty Ltd	Adjustment	Non-Regulated Services	Materials Management			
Mondo Power Pty Ltd	Direct Project	Non-Regulated Services	Materials Management			
Mondo Power Pty Ltd	Direct Project	Non-Regulated Services	Network Solutions			
Mondo Power Pty Ltd	Direct Project	Non-Regulated Services	General Plumbing			
Mondo Power Pty Ltd	Direct Project	Non-Regulated Services	Asset Inspection			
Mondo Power Pty Ltd	Direct Project	Non-Regulated Services	Gas Technical Services			
Mondo Power Pty Ltd	Indirect Costs	Overheads	Calibration and Projects			
Mondo Power Pty Ltd	Indirect Costs	Overheads	Chemical Testing			
Mondo Power Pty Ltd	Indirect Costs	Overheads	Non-invasive testing			
Mondo Power Pty Ltd	Indirect Costs	Overheads	Metering Services			
Mondo Power Pty Ltd	Indirect Costs	Overheads	Networks Solutions South			

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Legal entity	Purpose of Transactions					
	Type	Description	Nature of work			
Mondo Power Pty Ltd	Indirect Costs	Overheads	Technical Solutions			
Mondo Power Pty Ltd	Indirect Costs	Overheads	Emerging Energy Markets			
Mondo Power Pty Ltd /AusNet Transmission Group Pty Ltd *	Indirect Costs	Overheads	Geospatial Technologies			
Mondo Power Pty Ltd /AusNet Transmission Group Pty Ltd *	Timesheeting	Outsourced Labour	CES Software Delivery			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Calibration and Projects			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Chemical Testing			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Condition Monitoring			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Condition Monitoring			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Non-invasive testing			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Metering Services			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Asset Inspection, Strategy & Business Development & Plumbing utility services			

** Note - For the period 1 January 2018 to 30 November 2018, these transactions were with AusNet Transmission Pty Ltd. On 1 December 2018, there was a restructure and these transactions were with Mondo Power Pt Ltd.*

CAPEX

Legal entity	Purpose of Transactions					
	Type	Description	Nature of work			
Mondo Power Pty Ltd	Direct Project	Direct Project	Unregulated Capital Works			
Mondo Power Pty Ltd	Direct Project	Direct Project	General Equipment Capex			
Mondo Power Pty Ltd	Direct Project	Direct Project	General Equipment Capex			
Mondo Power Pty Ltd	Direct Project	Direct Project	Non-invasive testing			

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Legal entity	Purpose of Transactions					
	Type	Description	Nature of work			
Mondo Power Pty Ltd	Indirect Costs	Overheads	Calibration and Projects			
Mondo Power Pty Ltd	Indirect Costs	Overheads	Chemical Testing			
Mondo Power Pty Ltd	Indirect Costs	Overheads	Metering Services			
Mondo Power Pty Ltd	Indirect Costs	Overheads	Networks Solutions South			
Mondo Power Pty Ltd	Indirect Costs	Overheads	Emerging Energy Markets			
Mondo Power Pty Ltd /AusNet Transmission Group Pty Ltd *	Indirect Costs	Overheads	Geospatial Technologies			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Calibration and Projects			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Chemical Testing			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Metering Services			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Condition Monitoring			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Non-invasive testing			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Emerging Energy Markets			
Mondo Power Pty Ltd /AusNet Transmission Group Pty Ltd *	Timesheeting	Outsourced Labour	CES Software Deliver			
Mondo Power Pty Ltd	Timesheeting	Outsourced Labour	Strategy & Business Development and Asset Inspection			